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RUEHPE/AMEMBASSY LIMA 3221
RUEHMN/AMEMBASSY MONTEVIDEO 6560
RUEHPU/AMEMBASSY PORT AU PRINCE 0152
RUEHQT/AMEMBASSY QUITO 2013
RUEHSG/AMEMBASSY SANTIAGO 5890
RUEHRG/AMCONSUL RECIFE 5731
RUEHRI/AMCONSUL RIO DE JANEIRO 3179
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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 002246

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TAGS: [PGOV](#) [BR](#)

SUBJECT: BRAZIL PRESIDENTIAL ELECTION: VOTERS WILL RE-ELECT
LULA, DESPITE SCANDAL ACCUSATIONS

REF: A. BRASILIA 2193

[B](#). BRASILIA 2157

[C](#). BRASILIA 2100

Classified By: POLITICAL COUNSELOR DENNIS HEARNE. REASONS: 1.4(B)(D).

[1](#). (SBU) Summary. President Luiz Inacio Lula da Silva (PT - Workers Party) appears to be headed for re-election on October 29. Challenger Geraldo Alckmin (PSDB - Brazilian Social Democracy Party) has failed to convince a majority of voters that they would be better off if he were elected, and polls this week give Lula a twenty point advantage over his opponent. The campaign has been conducted amidst accusations of corruption and illicit acts by operatives in Lula's PT party -- which have apparently not resonated with Lula's large base of low income voters -- and specious charges by Lula that Alckmin would privatize state entities -- which appear to have had some effect, despite Alckmin's vociferous denials and lack of any evidence that he ever intended to go that route. Alckmin's sound debating skills have been on display through three rounds of televised debates, but they have not helped him turn the tide in the electorate. This has been particularly true of the millions of Brazilians with low incomes who benefit from government programs aimed at the poor, and who are the bedrock of Lula's support base. In the weeks since the first round of voting (refs), Lula has played on class and regional tensions, portraying Alckmin as an enemy of "social spending," as Alckmin has slipped in polls since the first debate on October 8 (refs). A top pollster said only a "spectacular revelation" about Lula could turn the tide for Alckmin on October 29. End summary.

Lula Almost Certain to be Re-elected

[2](#). (SBU) President Lula will almost assuredly be re-elected to a second four year term on October 29, defeating Geraldo Alckmin, a former governor of Sao Paulo. Latest polling shows Lula could win over 60 percent of the vote. Senior PSDB party leaders have told us in private that their party-commissioned internal polling show a much narrower gap with Lula, as was the case just before Alckmin's surprisingly strong outcome in the first round of voting on October 1. Hence Alckmin may yet tighten the result, but it is unlikely to be enough to win. Carlos Augusto Montenegro, president of the polling firm Ibope, told media the

difference is insurmountable, barring a "spectacular revelation," such as one directly linking the president to criminal acts.

¶3. (SBU) Alckmin has been unable to construct a winning majority of voters with his arguments that Brazil's economic growth has stagnated under the current administration, and that Lula should be turned out of the Planalto Palace because his administration has been convulsed by a series of scandals involving cabinet ministers, party officials, congressmen, and members of Lula's innermost circle of trusted advisers and longtime associates. But sluggish growth in the economy has not proven a selling point to low income voters, and Alckmin's attacks on corruption -- including the most recent attempts by PT operatives to use illicit funds to buy a dossier damaging PSDB candidates (ref c) -- may resonate with the middle class, but are not swaying poorer voters away from a vote they believe will ensure the continuation of Lula's spending on social programs.

Lula Plays on Class Tensions...

¶4. (SBU) Lula's campaign has deliberately played on these social class differences. The map of voting patterns after October 1 showed a country starkly divided into red and blue states along a line separating the country's prosperous southern half, with industry and agribusiness, from the underdeveloped and poor northeast and north. In the prosperous, comparatively more developed south, center west, and much of the south, Alckmin's message of economic growth, low taxes, low interest rates and honest government carried the day on October 1, while the northeast and much of the north voted overwhelmingly then for Lula's promises of continued social spending. Lula's campaign is betting on

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this continued divide, and his rhetoric draws a line between "us" and "them," with Lula portraying himself as a modern-day "father of the poor," a title historically associated with Getulio Vargas, the populist president of Brazil in the last century. Lula claims that "never before" has anyone done as much for the poor, and warns that if he is not re-elected, powerful "elites" will conspire to undo his social programs. Alckmin was handicapped by his Sao Paulo origins, while Lula comes from a poor Pernambuco family and has a legitimate claim to identification with poor northeasterners. Alckmin made only a belated attempt to even address that issue, and his messages of honest government and anti-corruption did not translate for the poor into a guarantee of a continued commitment to social spending.

... and Continues With the Misinformation Tactic

¶5. (C) In the October 23 debate, Alckmin confronted Lula over his misleading campaign tactics (refs), and directly accused him of lying when he said that Alckmin would privatize state-owned enterprises. Lula in turn claimed that he was just "deducing" from Alckmin's and former President Fernando Henrique Cardoso's past records that Alckmin would privatize. Lula's campaign has stuck by this blatantly deceptive tactic since the October 8 debate, in spite of repeated protest from Alckmin that there is absolutely no evidence in his platform or statements to indicate he intended to privatize any companies. Fernando Henrique Cardoso himself stepped in to defend Alckmin in a speech earlier this week in which he said the PT is perpetrating a Hitlerian "big lie" campaign with its accusations that Alckmin would introduce a new round of privatization affecting Petrobras, the Post Office, the Bank of Brazil, and the Caixa Economica Federal. But despite the PSDB protests, it appears from polls that this brazen PT tactic has had an impact. In a private meeting with the Ambassador and PolCouns on 19 October, PSDB party president Tasso Jereissati lamented that Alckmin had been placed on the defensive on the privatization issue. He opined that, while Alckmin should have challenged Lula on the duplicity of the

current PT rhetoric, there is no reason to be apologetic or defensive about the earlier PSDB government's successful privatization programs. Jereissati said that Alckmin would have scored points with many lower income voters if he had pointed out that the wide-spread use of cellular phones today in Brazil, including among the poor, is a direct result of the privatization of the telecommunication sector.

President's Chief of Staff Named in Investigation

¶6. (SBU) Two more names of prominent PT figures emerged over the weekend as Federal Police continue their investigation into a scheme to purchase a dossier of ostensibly damaging information about Jose Serra (PSDB governor-elect of Sao Paulo) and Geraldo Alckmin. Eight PT figures have already been implicated and will be called to testify before a congressional inquiry. Giberto Carvalho, Lula's chief of staff, and Jose Dirceu, a former minister in Lula's administration, were discovered to have spoken by phone with Jorge Lorenzetti, former chief of a Lula campaign intelligence unit, just after the dossier scheme was discovered, and well before Lorenzetti's name was in the press. The Parliamentary Inquiry Committee (CPI) that is looking into the dossier scandal will hear testimony from eight of the implicated figures, but only after the election. Indeed, the PSDB continues to criticize the slow pace of the investigation, alleging top-down pressure on the police to move slowly until after the vote on 29 October.

Comment: The Day After -- A Continuing Confrontation

¶7. (C) Lula's campaign has been telegraphing through the media that, after the elections are over, their side would seek a modus vivendi with the opposition in the interests of governability. But we are skeptical that peace will break out. The PSDB declared outright on October 24 there will be no "governability agreement." Alckmin stated forcefully this week that the PSDB will not stand for "impunity" for officials implicated in the dossier case and other scandals.

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Moreover, in their private conversation with Ambassador and PolCouns, PSDB leaders Jereissati and Virgilio laid out two possible scenarios, neither indicative of a truce: the PSDB-PFL opposition will not force a crisis, and will cooperate with Lula in a minimum number of issues of national interest, while pointing out the "exhaustion" of his government and preparing for the 2010 election; a second scenario would see a much more aggressive opposition that relentlessly criticizes Lula across the board, presses hard for investigations, and does not back away if talk of institutional crises roils up again, as it did a year ago at the outset of the corruption scandals. The path will depend largely on the scale of the additional scandal revelations everyone expects soon after the elections, the choice of opposition leadership in the Senate (the harder-line PFL may emerge as the largest party in the Senate, depending on second round election results) and the overall mood of the country, Jereissati opined.

¶8. (C) Comment continued. We would bet on scenario two. Indeed, many pundits here are already dubbing the continuing conflict scenario the "third round" of the election, in which the opposition will attack Lula on the corruption issues, while the government and PT counter-charge that the PSDB and PFL are trying "a white collar coup," attempting to decimate Lula's victory through congressional and police investigations, pressure on the judicial system to disqualify his candidacy after the fact, and possibly even impeachment. All of this suggests to us that October 29 will bring a certain but hollow victory and a troubled second term for Lula, starting the day after the votes are in.

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